

PETE'S MOUNTAIN WATER COMPANY, INC.

P.O. Box 418
Canby OR 97013-0418

February 9, 2007

Oregon Public Utility Commission
P.O. Box 2148
Salem OR 97308

Attention: Vikie Bailey-Goggins

RE: **AFFILIATED INTEREST APPLICATION** of **PETE'S MOUNTAIN WATER COMPANY, INC.** (herein called "the Company") with **SUZANNE WEBBER** (herein called "Ms. Webber") pursuant to ORS 757.495 and OAR 860-036-0730

Dear Ms. Bailey-Goggins:

This affiliated interest application is submitted in the manner and form indicated by OAR 860-036-0730.

INFORMATION REQUIREMENTS

(a)The applicant's exact name and the address of its principal business office:

PETE'S MOUNTAIN WATER COMPANY, INC., P.O. Box 418, Canby OR 97013-0418.

(b) The name and address of the persons authorized on the water utility's behalf, to receive notices, inquiries, and communications regarding the information:

SUZANNE WEBBER, P.O. Box 418, Canby OR 97013-0418.

and

JAMES A. COX, Attorney at Law, 1530 Rainier Rd., Woodburn OR 97071.

(c) A statement describing the relationship between the water utility and the contracting entity as defined by ORS 757.015 and 757.490:

Ms. Webber, jointly with her husband Terry L. Webber, owns two-thirds (2/3) of the outstanding stock of the Company.

(d) The amount, kind, and ratio to total voting securities held, if applicable:

Ms. Webber, jointly with her husband Terry L. Webber Webber, owns two-thirds (2/3) of the outstanding voting stock of the Company.

(e) A list of all officers and directors of the affiliated interest who are also officers or directors of the applicant:

None. Ms. Webber is an individual, not a corporation.

(f) The pecuniary interest, directly or indirectly, of any officer or director who is a party to the contract:

Ms. Webber is an officer, director and shareholder of the Company. She is the Company's General Manager.

(g) A description of the goods or services to be provided, the cost incurred in providing each of the goods or services, the market value of the goods or services if different from the costs, and the method or methods proposed for pricing those goods or services:

Note: Ms. Webber has been furnishing the services described herein for many years. This has been done without the filing of an Affiliated Interest ("AI") Application because of the position previously taken by PUC Staff that an AI application was not required for personal services furnished by a stockholder/officer to a regulated utility such as the applicant. The Commission, in the Applicant's pending rate case (UW117), has overruled the Staff's position. This application is therefore being filed to bring the Company into compliance with the Commission's ruling.

Ms. Webber is employed as the Company's General Manager with overall responsibility for operation of the Company. She is a Certified Water Operator. She is responsible for all office and bookkeeping operations. She is the Company's only regular employee. As required by State law she maintains regular office hours. She must plan and implement applications to governmental agencies; i.e., Water Resources Department, Public Utility Commission. She takes the lead in long range planning for the Company, including capital improvements. She must deal with developers interested in connecting to the system while continuing to balance existing customers' needs and system capacity.

Ms. Webber has a wide range of responsibilities. She must take care of whatever arises even if not included in the described tasks. The job requires multiple skills and involves a wide range of responsibilities. The list of specific tasks and duties is not necessarily complete.

As a corporate director and as secretary of the corporation, Ms. Webber must perform corporate management, consultation, planning and governance as required of a secretary and director of a corporation.

Ms. Webber and Terry L. Webber are the Company's only Certified Water Operators. The Company is required by law to have a Certified Water Operator available at all times. Ms. Webber performs the primary role. Terry L. Webber is available only as a part-time, backup if Ms. Webber is ill or unavailable. Certified Water Operators are the first defense against such

things as water borne diseases. A Certified Water Operator's duty is to deliver an adequate quantity of water to meet users' needs, and to deliver water that is safe for drinking.

By law someone must be available, on call, 24 hours a day, seven days a week to respond to emergencies (system failures, emergency locates, etc.) Ms. Webber is that person, with Terry Webber available as a backup for her.

The Company and Ms. Webber believe that her job with the Company is equivalent to full-time employment both in terms of time actually spent and in terms of responsibility. This is partly because of the time actually spent and partly because of the loss of opportunity imposed by the "on call 24/7" nature of the job, which precludes her from obtaining other meaningful employment.

Included within the foregoing general responsibilities are the following tasks performed daily or on a regular schedule:

- 1) Travel daily from the office to the well lot (with the exception of an illness or family emergency). Once there, monitor all systems until satisfied that every thing is running as should be. This has proven to ward off any potential mechanical problems with the system.
- 2) Respond to requests that have been received by phone, fax or mail. Frequently these are requests received as part of the One Call Locate Service, a State-required program. Must be available for emergency locates.
- 3) Perform water testing and collection monthly.
- 4) Take care of well lot maintenance (picking up garbage, etc.).
- 5) Read the meters on a monthly schedule.
- 6) Pick up the mail at the Post Office box five or six days a week.
- 7) Gather and organize data for required governmental agency reports; prepare and file the reports (such as the Consumer Confidence reports, PUC construction budget reports, PUC affiliated Interest reports, PUC Gross Revenue reports, Hazardous Substance reports-State Police, Emergency Response Plans, Cross Connection Summary reports, Source Water Assessment Plans.
- 8) Develop an Operations Manual.
- 9) Process and handle all billings, accounts receivable, accounts payable, and budget planning.
- 10) Make bank deposits and attend to other banking as needed. Reconcile accounts.
- 11) Answer phones and attend to any inquiries made by phone, mail, or electronic mail.

Ms. Webber's employment will be on an "at will" basis. Her base salary will be \$3,516 per month. Her salary may be adjusted annually based on changes in the Consumer Price Index in the Portland Metropolitan Area. Ms. Webber will be entitled to three weeks of paid vacation in each calendar year. In addition to her base salary the company will pay an additional amount up to 25% of her gross salary for health insurance for her and her spouse and for the employer's contribution to her retirement or pension plan if such payments will be deductible as a business expense by the Company on its income tax returns. Appropriate business records will be kept showing the time spent and the nature of the work by Ms. Webber each day.

(h) An estimate of the amount the water utility will pay annually for the goods or services and the accounts in which it will record the charges:

The estimated annual payment to Ms. Webber for her salary is \$42,192. An additional amount, up to \$10,458 will be paid for employee benefits. The costs will be charged to the wages, salaries and personal services account, and to the employee benefits account(s).

(i) The reasons, in detail, relied upon by the water utility for procuring the proposed goods or services from the affiliate and benefits, if any, utility customers and the general public will derive from the provision of goods or services:

The reasons for procuring services from Ms. Webber are convenience, efficiency and substantial cost saving. The customers will benefit from the reduced expense because the Company's cost of doing business, which would be passed along to customers in determining water rates, is thereby reduced. No benefit to members of the general public other than customers is perceived.

(j) A description of the procurement process and the reasons, in pertinent detail appropriate to the complexity of the procurement, relied upon by the water utility for procuring the proposed goods or services without a competitive procurement process, if such a process is not used,

The Company's office is located in Mr. and Ms. Webber's home. An outside supplier of some or all of the services could not work at the Company's office. Some of the described work—such as corporate governance, oversight and planning—is not delegable or performable by a salaried employee or by an outside provider; by definition these are the duties of the corporation's directors. A competitive procurement process is not feasible.

(k) Transfer prices in contracts or agreements for the procurement of goods or services under competitive procurement shall be presumed to be the market value, subject to evaluation of the procurement process:

The services that would be available under a competitive procurement process would be inferior to the level of service that Ms. Webber can provide, would be less convenient and more costly, and would not be in the best interests of the water users or the Company.

ATTACHMENT

(l) A Copy of the resolution of the Company's directors authorizing the proposed transactions is included herewith. Stockholders' approval is not required. Because the employment will be on an "at will" basis, and because Ms. Webber as an officer and director of the Company has agreed to the resolution, no separate written employment contract is required.

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For the reasons set forth above, PETE'S MOUNTAIN WATER COMPANY, INC. respectfully requests that the Commission issue an order approving the affiliated interest contract between PETE'S MOUNTAIN WATER COMPANY, INC and SUZANNE WEBBER pursuant to the provisions of ORS 757.495 and OAR 860-0386-730.

DATED: February 9, 2007.

PETE'S MOUNTAIN WATER COMPANY, INC.

By _____
Terry L. Webber, President

By _____
Suzanne Webber, Secretary

MEETING OF DIRECTORS
OF PETE'S MOUNTAIN WATER CO., INC.,
AN OREGON CORPORATION

A special meeting of the directors was convened on February 9, 2007.

All directors were present and waived notice of the meeting.

It was discussed that the Oregon Public Utility Commission has insisted that the corporation enter into a written agreement, which has heretofore been a verbal arrangement, with Suzanne Webber for compensation for her services.

The conflict of interest between Terry L. Webber and Suzanne Webber on the one hand, and the Corporation on the other hand, was recognized and acknowledged. However since they are the only directors of the corporation, and since the approval of the agreement was determined to be in the corporation's best interests and not detrimental to the interests of the other stockholder, they proceeded upon the advice of counsel to consider and vote on the issue.

A motion for adoption of the following resolution was moved, seconded and unanimously passed:

“RESOLVED: The Corporation hereby enters into an agreement with Suzanne Webber for her to provide services to the corporation as follows:

Ms. Webber is employed as the Company's General Manager with overall responsibility for operation of the Company. She is to maintain certification as a Certified Water Operator. She is responsible for all office and bookkeeping operations. She will maintain regular office hours. She shall plan and implement applications to governmental agencies; i.e., Water Resources Department, Public Utility Commission. She shall take the lead in long range planning for the Company, including capital improvements. She shall deal with developers interested in connecting to the system while continuing to balance existing customers' needs and system capacity. She must take care of whatever arises even if not included in the described tasks.

As a corporate director and as secretary of the corporation, Ms. Webber shall perform corporate management, consultation, planning and governance as required of a secretary and director of a corporation. No additional compensation will be claimed by her for her services as officer or director.

Except for illness, family emergency, or during scheduled vacations, Ms. Webber shall be available, on call, 24 hours a day, seven days a week to respond to emergencies (system failures, emergency locates, etc.)

Included within the foregoing general responsibilities are the following tasks to be performed as needed on a daily or regular schedule:

- 1) Travel daily from the office to the well lot (with the exception of an illness or family emergency). Monitor all systems until satisfied that every thing is running as should be.
- 2) Respond to requests that have been received by phone, fax or mail, including One Call Locate Service requests. Be available for emergency locates.
- 3) Perform water testing and collection monthly.
- 4) Take care of well lot maintenance (picking up garbage, etc.).
- 5) Read the meters on a monthly schedule.
- 6) Pick up the mail at the Post Office box five or six days a week.
- 7) Gather and organize data for required governmental agency reports; prepare and file the reports (such as the Consumer Confidence reports, PUC construction budget reports, PUC affiliated Interest reports, PUC Gross Revenue reports, Hazardous Substance reports-State Police, Emergency Response Plans, Cross Connection Summary reports, Source Water Assessment Plans.
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will be kept showing the time spent and the nature of the work by Ms. Webber each day.

This resolution shall become effective without further action by the corporation or Ms. Webber upon approval of the Affiliated Interest Application to the Public Utility Commission for such services. Ms. Webber shall endorse her acceptance and approval of this resolution by her signature, in her individual capacity, on this resolution.”

There being no further business to come before the directors, the meeting was adjourned.

Suzanne Webber, Secretary

Approved:

Terry L. Webber, Director

Approved and agreed:

Suzanne Webber, individually